

## Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 12383 180633Z

12/17

ACTION NEA-16

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04 PRS-01

USIA-15 DRC-01 /170 W

----- 051616

R 170400Z SEP 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 2946

INFO AMEMBASSY JIDDA

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 12383

C O R R E C T E D C O P Y (CORRECT MRN TO READ 12383 VICE 2383)

E.O. 11652: N/A

TAGS: ENRG, BTRA, IN, SA

SUBJECT: GOI OIL TEAM RETURNS FROM SAUDI ARABIA--CRUDE OIL  
IMPORTS CANCELED

REF: NEW DELHI 11485

1. ACHIEVING THE LEAST DESIREABLE OF THE OPTIONS KNOWN  
TO HAVE BEEN AVAILABLE TO THE GOI, INDIA REPORTEDLY (FINANCIAL  
EXPRESS) "WRIGGLED OUT" OF ITS COMMITMENT TO IMPORT CRUDE OIL  
FROM THE SAUDI ARABIAN NATIONAL OIL COMPANY, PETROMIN (REFTEL).  
DURING HIS SEPT. 1-10 VISIT TO SAUDI ARABIA, PETROLEUM MINISTRY  
SECRETARY, P.K. DAVE (AND OTHERS), HOPED TO NEGOTIATE EITHER  
(1) A GOI/PETROMIN DEFERRED PAYMENT PLAN (SIMILAR TO AGREEMENTS  
CURRENTLY HELD WITH IRAQ AND IRAN), (2) A CRUDE OIL PRICE  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 12383 180633Z

REDUCTION, OR (3) AN ESCAPE FROM INDIA'S ON-GOING GOI/PETROMIN

CRUDE SUPPLY CONTRACT. IT APPEARS THAT HAVING FAILED IN ITS FIRST TWO PRIORITIES, INDIA (NOT UNEXPECTEDLY) SETTLED FOR THE THIRD.

2. INDIA IMPORTED FROM PETROMIN ABOUT 1.1 MILLION TONS (8.0 MILLION BARRELS) OF LIGHT ARABIAN PARTICIPATION CRUDE DURING CY 1973, AND WAS UNDER CONTRACT TO PURCHASE SIMILAR VOLUMES DURING 1974 AND 1975. OF THIS YEAR'S QUOTA, THE GOI RECEIVED THROUGH JUNE 0.65 MILLION TONS (4.7 MILLION BARRELS) AT A DISCOUNTED CASH PRICE OF \$10.83 PER BARREL AND WOULD HAVE BEEN REQUIRED TO PAY A SIGNIFICANT PENALTY IF INDIA HAD REFUSED SUBSEQUENT DELIVERIES WITHOUT THE APPROVAL OF PETROMIN.

INSTEAD, PETROMIN HAS REPORTEDLY AGREED TO A CANCELLATION, INCLUDING A WAIVER OF THE PENALTY CLAUSE FOR THE REMAINDER OF THE YEAR, AND HAS OFFERED INDIA A SIMILAR REPRIEVE ON NEXT YEAR'S CONTRACT AS WELL.

3. THE "LOSS" OF SOME 3.3 MILLION BARRELS OF LIGHT ARABIAN CRUDE DURING THE BALANCE OF 1974 IS NOT EXPECTED TO SERIOUSLY AFFECT INDIA'S CURRENTLY-PLANNED REFINING OR CONSUMPTION PATTERNS. LIMITED INCREASES HAVE ALREADY BEEN GRANTED TO EXXON, BURMAH-SHELL AND CALTEX (IN ANTICIPATION OF THIS MOVE) AND PRESUMABLY THE REMAINDER MAY BE PURCHASED ALSO AT THE BETTER PRICES AVAILABLE THROUGH THESE SOURCES (REFTEL), IF CONSUMER DEMANDS SO DICTATE. FOREIGN EXCHANGE SAVINGS MAY THEREFORE BE ON THE ORDER OF \$3.0 MILLION IF THE FULL 3.3 MILLION BARRELS LOSS IS TO BE MADE UP, OR COULD EVEN REACH A THEORETICAL \$35.0 MILLION IF NONE IS REFLECTED IN THE YEAR-END TOTAL. IN ANY EVENT, AND APART FROM SAVINGS, THE CANCELLATION OF THIS HIGH-PRICED, NO CONCESSION, CRUDE CONTRACT MAY BE EXPECTED TO BE RECEIVED FAVORABLY IN INDIA'S POLITICAL CIRCLES--IF EVENTS PROVE THAT OVERALL GOI/SAUDI ARABIAN GOVERNMENT RELATIONS HAVE NOT BEEN DAMAGED IN THE PROCESS.

4. WE ARE PRESENTLY PREPARING A DETAILED STUDY FOR EARLY REPORTING ON INDIA'S ACTUAL JANUARY-SEPTEMBER 1974 CRUDE OIL AND PRODUCT IMPORTS. WE WILL SHOW THAT, WHILE THE COST IMPACT HAS BEEN UNDERSTANDABLY SEVERE, THE GOI HAS NOT DEVIATED NOTABLE FROM ITS PRE-EMERGENCY CRISIS PROGRAM FOR OIL IMPORTS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 12383 180633Z

AND CONSUMPTION. THERE HAVE BEEN NO MAJOR CUTBACKS OR IMPORTANT COST SAVINGS EFFORTS, EVEN THOUGHT STATEMENTS IN PARLIAMENT AND THE PRESS CONTINUE TO IMPLY OTHERWISE. SCHNEIDER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IMPORTS, PETROLEUM, TRADE VISITS, NEGOTIATIONS, CONTRACTS, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974NEWDE12383  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740261-0143  
**From:** NEW DELHI  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740939/aaaabgui.tel  
**Line Count:** 111  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** NEW DELHI 11485  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** cunninfx  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16-Aug-2002 by cunninfx>; APPROVED <04 MAR 2003 by cunninfx>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOI OIL TEAM RETURNS FROM SAUDI ARABIA--CRUDE OIL IMPORTS CANCELED  
**TAGS:** ENRG, BTRA, IN, SA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005